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Docket No. E-01345A-07-0594

IN THE MATTER OF THE
APPLICATION OF TUCSON ELECTRIC
POWER COMPANY FOR APPROVAL
OF ITS RENEWABLE ENERGY
STANDARDS AND TARIFF
IMPLEMENTATION PLAN

**COMMENTS OF FREEPORT-
MCMORAN COPPER
& GOLD INC. AND ARIZONANS
FOR ELECTRIC CHOICE AND
COMPETITION**

Freeport-McMoRan Copper & Gold Inc. and Arizonans for Electric Choice and Competition (hereafter collectively "AECC") hereby submit these Comments in connection with the above-referenced matter. For reasons more fully described herein, AECC supports approval of the Best Value Implementation Plan ("Best Value Plan") proposed by Tucson Electric Power Company ("TEP") on July 1, 2008.

DISCUSSION

1. In Decision No. 70314 (April 28, 2008), the Arizona Corporation Commission ("Commission") adopted a Renewable Energy Standard and Tariff ("REST") plan for TEP that included a \$0.004988 per kWh rate, with caps of \$2.00 for residential customers, \$39.00 for small and commercial businesses (non-residential under 3MW), and \$500.00 for industrial customers (non-residential greater than 3MW). The total budget for the approved plan was \$15.58 million for 2008.

2. In its July 1, 2008 filing, TEP proposed two implementation plans: a Best Value Plan at an overall cost of \$17.0 million to TEP's customers, and a Full Compliance Implementation Plan ("Full Compliance") at an overall cost of \$38.5 million.

1 Commission Staff is recommending a “continuation” of the 2008 Plan, at an overall cost
2 of \$29.7 million in 2009, because there has not been sufficient experience with the REST
3 Tariff provisions to warrant making major changes to the implementation plan at this
4 time. *See* November 26, 2008 Staff Report at 3.

5 3. Approval of Staff’s continuation plan for 2009 would nearly double the cost
6 of the 2008 plan. However, according to Staff, of the \$8.8 million collected from June to
7 December 2008, TEP projected actual spending of only \$1.7 million. Although the
8 remaining \$7.1 million in funds collected by TEP for 2008 will be carried over into the
9 next year, Staff does not indicate whether such funds will be used to offset the surcharge
10 amount require to comply with any of the implementation plans for 2009. *Id.* at 7. AECC
11 asserts that the Commission should not allow TEP, nor any utility required to comply with
12 the REST rules, to essentially bank funds for future use of residential program incentives
13 on the backs of ratepayers, especially with the state of the current economy.

14 4. The only significant difference between the Best Value and Full Compliance
15 Plans would be adjusting the distributed energy allocation portion from the allocation
16 requirements set forth in the REST rules. According to TEP, the typical residential
17 distributed photovoltaic system costs about \$21,000.00 to install, with about \$10,000.00
18 available in government and utility incentives, and requires a customers investment of
19 \$11,000.00. *See* TEP Application at 6. There were only 16 residential installations in
20 2008. Staff Report at 7. AECC believes that the number of residents willing to invest the
21 amount necessary to take advantage of government and utility incentives for photovoltaic
22 applications is not likely to dramatically increase within the next few years, as Arizona
23 and the rest of the nation pulls itself out of the current recession. The Best Value Plan
24 does not eliminate residential distributed energy incentives, but rather reduces the
25 minimum requirement so that funds collected for the development of renewable energy
26 can be more flexibly managed to meet TEP’s REST requirement needs. In the event there

1 is a dramatic increase in residential applications, TEP's REST implementation plan can be
2 annually adjusted by the Commission in accordance with such change.

3 **CONCLUSION**

4 For the reasons stated above, AECC supports the approval of TEP's Best Value
5 Plan and urges the Commission to approve that Plan. It is not in the public interest to
6 continue requiring TEP ratepayers to fund a REST Tariff at a level that is not likely to
7 produce the intended benefits, which is to annually increase the percentage of energy
8 generation produced from renewable resources. TEP's REST Implementation Plan should
9 be flexible enough to take advantage of larger-scale program options that are more cost-
10 efficient, and can help TEP achieve REST compliance in a manner that promotes the
11 development of renewable resources with the least-cost impact on ratepayers.

12 RESPECTFULLY SUBMITTED this 10th day of December 2008.

13 FENNEMORE CRAIG, P.C.

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21 **FILED** this 10th day of December 2008 with:

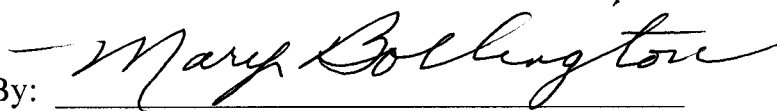
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